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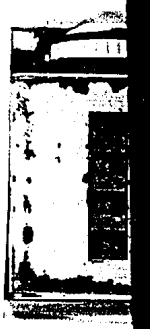

# RIGHTS OF ENTERPRISE DIRECTORS IN THE USSR

Stroitel'noye i Dorozhnoye Mashinostroyeniye, No 3, Moscow, 1956

L. R. Pokras

The limited "guardianship" (opeka) which the Ministry of Construction and Road Machine Building together with its main administration has exercised over enterprises until now [March 1956] has restricted the initiative of plant directors. They have not had the power to act quickly to solve urgent problems of management. Until recently, an enterprise director was not permitted to use funds to implement the organizational and technical measures involved in the introduction of new techniques. His rights to acquire inventories and light equipment through the use of working capital, as well as the right to sell surplus physical assets, were limited. Also, restrictions were imposed on him with respect to personnel and the purposes for which the wage fund could be utilized. Even if an enterprise was operating below capacity, it was not permitted to take orders for products to be manufactured from the raw material and goods belonging to its customer or from its own waste products.

The plant director was unable to carry out urgent technical measures until new title lists (titul'nyye spiski) for capital construction had been established.

This circumscription of the directors' rights led to a reduction in their responsibility for the state of production and the use of internal reserves.

Considering the need to increase this responsibility of directors for fulfillment of state plans, the government has deemed it necessary to expand their rights considerably.

The correlative duties imposed on enterprise directors in accordance with their increased rights are as follows: They must assure (1) fulfillment of state production and supply plans in terms of quantity, quality, and assortment of output; (2) fulfillment of capital construction plans; (3) introduction of new techniques and technology on a wide scale; (4) improvement in the organization of production and labor; (5) continuous increase in labor productivity; (6) prompt fulfillment of all obligations to the state budget; and (7) improvement in working conditions and the cultural services provided for their workers.

In adhering to the principle of one-man management, enterprise directors must rely on enterprise aktivs by holding regular conferences with them to discuss draft plans and other important enterprise problems.

Before 1955, the industrial and financial plans, as well as production estimates in the case of each enterprise, were worked out in detail in the main administration and ministries, and the enterprise itself was left out of the formulation of these plans.

In line with the resolutions of the Central Committee of the CPSU and the Council of Ministers passed in 1955, enterprise collectives were included in the working out of the draft of the Five-Year Plan for the period 1956-1960. In the case of most enterprises of the Ministry of Construction and Road Machine Building, draft plans were discussed in participation with the aktivs. Such discussions brought to light additional reserves for increasing production and labor productivity.



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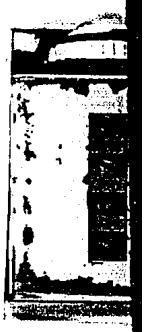

The approval (utverzdeniye) of an amplified tekhpromfinplan (technical-financial-industrial plan) which includes both monetary and physical indexes is now the responsibility of plant directors. In formulating this plan they must be guided by the annual plan as broken down by quarters and drawn up by the appropriate main administration of the ministry. Quarterly plans (except in the case of mass production) may be altered by a plant director to provide for delivery in advance of, or after, the scheduled time of delivery by agreement with the customer, provided the sales administration of the ministry is notified.

The plant director now has the right to accept orders from other enterprises and organizations for the manufacture of products from goods and materials belonging to the customer, provided that the product assortment plan is not disrupted.

The experimental production of parts, as well as individual and serial production processes, may be altered by a plant director, provided that quality is maintained, production cost is not increased, and technical specifications for output as a whole are adhered to.

The method of fixing prices on goods and services for which no authorized prices and charges exist has been simplified. The effect has been to make easier the necessary calculations when an enterprise undertakes capital construction itself or produces goods on individual order.

In fixing prices on the goods required for the enterprise's own capital construction or its own internal consumption, the director must use the planned cost of goods and services and must adhere to the over-all cost estimate for the project as a whole.

Prices on manufactured and processed parts and units, forms, presses, apparatus, and other products produced on individual order must be worked out in agreement with the customer, and the contract price may not include a profit of more than 5 percent.

Enterprise directors have been given the right in the case of capital construction (1) to approve monthly plans on the basis of the authorized annual capital construction plan (as broken down by quarters) and the placing of new capacity into operation, with subsequent notification of higher-level organizations; (2) to approve changes in title lists of construction and to redistribute funds between individual construction projects (on agreement with the contractors), provided that no changes are made in the volume of construction or the time that new capacities are put into operation; (3) to approve title lists of below-limit construction within the scope of appropriations made for such purposes; (4) to acquire building materials from local and cooperative enterprises at established prices, provided that the cost of these materials, including transportation, does not exceed the amount stipulated in construction cost estimates; (5) to approve and alter planned goals and financial estimates of construction projects, the estimated cost of which does not exceed 5 million rubles, and in the case of residential, municipal, and cultural construction up to 3 million rubles.

Also, (6) to turn over to contract construction organizations construction and installation work; and, in this connection, responsibility for the number of workers employed, the wage fund, and administrative costs, with subsequent notification of higher-level organizations; (7) to approve annual, quarterly, and monthly plans for the capital repair of fixed assets within the limit of funds allocated for this purpose; (8) to turn over capital repair operations to contracting organizations; and, in



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this respect, responsibility for the number of workers employed and the wage fund; (9) to engage in below-limit operations within the annual limit of financing, in cases where monthly and quarterly plans have been exceeded; and (10) to approve supplementary individual estimates for below-limit construction projects.

Directors have been given greater power in implementing measures related to the introduction of new techniques. Directors have also been given greater rights to dispose of physical assets. Plant directors are permitted (1) to transfer assets to enterprises under union, republic, or local jurisdiction and to producer cooperatives, and to turn over unneeded materials and minor complements of equipment required for the manufacture of necessary products by the aforementioned enterprises; (2) to sell surplus material, transportation equipment, and other types of equipment if the ministry declines to redistribute such materials or equipment, or in the event they are not suited to sale by sales organizations; (3) sell materials, tools, and other physical assets which have been acquired via the system of local procurement, principally by transferring them to the local sales and supply organizations of union republics; and (4) to entrust the sale of materials on a contractual basis to other enterprises and organizations dealing in these materials on payment of costs connected with the sale thereof at established rates.

Directors may also acquire supplies (inventar') and equipment, provided the value thereof does not exceed 500 rubles per unit, by using their working capital. Such purchases, however, may not be made for cash. They may also turn cultural and sports equipment over to trade unions and other social organizations, where such equipment has been acquired through the use of the Enterprise (or Director's) Fund's assets. Such transfers may be made by simple book transfers without the need for enterprise reimbursement.

The rights granted to enterprise directors in the field staffing, wages, and financing are of great importance for the improvement of production organization. A director is now permitted to approve and to change the tables of organization authorized for the shops and the plant administration division, provided that he stays within the confines of the enterprise labor plan and does not exceed the specified number of employees, technicians, and engineers. In this work he is guided by standard tables of organization. In addition he may supervise the regular staff and has charge of organizational structures and salary schedules which have been authorized for the given enterprise. In this respect he must not exceed average salaries as shown in the table of organization. He can establish and, subject to existing labor law, change the salaries of individual workers in the plant and those engaged in plant administration, subject to the salary and wage schedules which have been established for the given enterprise.

In putting new goods into production and new techniques into operation, as well as in introducing most important technological processes, directors have been given the right to introduce, by agreement with factory and plant trade-union committees, progressive wage bonus systems adapted to existing wage scales and methods of wage payment for periods of up to 6 months, provided that the wage fund authorized for the enterprise is not exceeded. They have also been given the right to use wage savings effected in preceding quarters for payment of wages in subsequent quarters of the same year, again subject to the provision that the authorized wage bill has not been exceeded. If the wages paid during any given quarter are less than those paid in the preceding quarter, but the wage bill has not been exceeded, the relative savings may not be paid out as wages in subsequent quarters.



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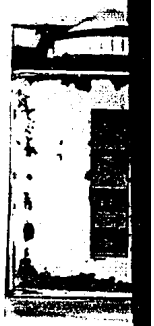

To provide more favorable conditions for improving production and increasing the operational independence of enterprises, directors have been permitted to make outlays for official travel which are over and above those provided for in the appropriation for administrative and managerial expenses for such purpose, where the reason for such travel is to study and to introduce new operating methods. They are also permitted to make changes in the amount to be spent on individual items of administrative and managerial cost (labor payments excepted), provided that such changes do not amount to more than 10 percent of the planned figure and provided that the cost of production is not exceeded.

The Director's Fund which has not been transformed into the "Enterprise Fund" is important for the improvement of the monetary indicators of an enterprise's operations. This fund may be set up in any state industrial enterprise which operates on a cost-accounting (khosraschet) basis and draws up its own balance sheet. For an enterprise to qualify for the establishment and formation of the Enterprise Fund it must meet certain requirements. The basic requisites are (1) fulfillment or surpassing of the state production plan in terms of over-all output and product assortment as prescribed by the ministry, (2) attainment of the enterprise's cost-reduction goal, and (3) fulfillment of the profit plan.

As of 1 January 1955, the total amount which could be allocated to the Enterprise Fund was doubled.

If the profit and cost-reduction plans are exceeded, an additional 40 percent of above-plan profit or above-plan saving is transferred to the enterprise funds of construction and road building machinery enterprises. Up to 5 percent of the annual wage bill for industrial-production or basic personnel may be transferred to the fund.

Estimates of how the Enterprise Fund assets are to be used must be agreed to by both the director and the trade-union plant committee. Half the amount allocated to the fund must be used for the introduction of new techniques, modernization of equipment, expansion of production, and construction and repair of the enterprise's housing facilities. This investment is to be over and above the amount called for by the capital investment plan. The other half is to be spent to improve cultural and personal services provided for workers by the enterprise, to pay individual bonuses to workers, employees, technicians, and engineers, to provide travel to rest homes and sanatoriums, and to provide sporadic assistance to workers. The director of an enterprise has the right to place money from this second half of the fund at the disposal of shop chiefs for the purpose of making awards to workers and other shop personnel for outstanding job performance.

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